City of Palo Alto

INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY

AUG 1 1 1986

UNIVERSITY OF CALIFORNIA

Housing Element of the Comprehensive Plan

1985 - 2000



HOUSING

The goal of keeping Palo Alto a fine residential community makes housing one of the most important factors considered in the Comprehensive Plan. Housing is important, not only in its own right, but also because it strongly influences the size of the population and its distribution in age, background, and income.

Prolonged and continuing employment growth in Palo Alto and neighboring cities has been a major factor in dramatically driving up the price of housing in Palo Alto. There are far more new jobs than new housing units. A 1979 Santa Clara County forecast estimated that about 125,000 new jobs will be created in northern Santa Clara County between 1975 and 1990, while only 19,000 new housing units will be built. Many people who work in Palo Alto cannot afford to buy a home here, and this jobs-housing imbalance forces many into long commutes. This situation will get worse unless Palo Alto and other cities in the area take corrective action, and even then, a very serious problem will remain.

Citizen Participation

In developing the 1985-2000 housing element, the City sought public participation through direct involvement with local organizations most involved and interested in housing and the housing need of lower-income persons, and at several public meetings before the Planning Commission and City Council. The input received at these meetings was critical in the development of the plan.

Palo Alto's Housing Objectives

What directions should housing in Palo Alto take to maintain and enhance present residential qualities? Three major objectives, each of equal importance, are identified.

First, it is important to maintain the character and physical quality of residential neighborhoods. Palo Altans want to avoid drastic changes in neighborhood character, to reduce the intrusion of through-traffic into residential neighborhoods, to protect neighborhood quality, to improve visual quality, and to prevent deterioration.

Second, it is important to maintain a diversity of housing opportunities especially opportunities for households with children. This means a variety of housing types and sizes, a mixture of ownership and rental housing, and a full range of housing costs. This diversity of housing opportunities, available in an atmosphere of open and free choice for all, will then accommodate the desired population diversity—a variety of household sizes, all age groups, and a wide range of income levels.

Third, in order to lessen the jobs-housing imbalance, Palo Alto needs to increase its housing supply, especially for low and moderate income individuals and households with children, middle income households with children, and for those who work here.

The Housing Supply

In 1980, Palo Alto had 23,750 housing units, which is approximately one-sixth of the housing on the Midpeninsula from Redwood City to Sunnyvale. In addition, Stanford University provides housing for about 7800 of its 13,200 students including 930 apartments for married students. There are also 830 campus units available for the 13,000 faculty and staff. These units are not available on the open market. Nearly two-thirds of Palo Alto's units are single-family homes, but about 20 percent of them are rented. Owners occupy just over one half of all the housing units in Palo Alto. The percentages of single-family units and owner-occupied units are similar to most other large Midpeninsula communities.

Palo Alto's housing is closer in age to the housing in San Mateo County than it is to other communities in Santa Clara County. Almost 40 percent of Palo Alto's housing was built before 1950, and another 35 percent between 1950 and 1960. Since 1960, while Palo Alto was constructing only 25 percent of its housing, the rest of Santa Clara County was building over 60 percent.

There is greater demand for housing in Palo Alto than can be met. This is because Palo Alto is a desirable place to live, there are many jobs, and there is little land available for new housing development. This leads to high housing costs and low vacancy rates. In addition, the lack of affordable housing in Palo Alto creates a larger commuter population with increased energy use, pollution, and high commute costs.

Census data indicate that the median value of owner-occupied housing increased 339 percent from \$33,900 in 1970 to \$148,900 in 1980. By comparison, the median value of a home in San Mateo County increased from \$30,400 in 1970 to \$121,300 in 1980 (a 299 percent increase) and a home in Santa Clara County increased from \$27,300 to \$107,700 (a 295 percent increase). In 1980, the median California home value was \$84,700 and for the United States it was \$47,300. Inflation from 1970 to 1980, as measured by the Consumer Price Index for the San Francisco Bay area, increased 113 percent. Home prices in Palo Alto, therefore, were escalating at three times the rate of inflation. The average appraised value for three sample single-family homes in Palo Alto monitored by the Northern California Real Estate Council was \$235,000 in April, 1983. This is up from \$225,000 in 1981, \$154,000 in 1979, \$72,650 in 1975, and \$41,500 in 1970 (an increase of 466 percent from 1970 to 1983). Monthly payments plus taxes and insurance on a \$180,000, median-priced house in Palo Alto would be nearly \$1,800 (given a 30-year, 13 percent loan and assuming a \$36,000, 20 percent down payment). An annual income of \$65,000 would be required to qualify for financing such a house.

Rental housing has also been strained greatly by rising housing costs. Few market-rate apartments have been built since 1972 and little new rental development is likely because of high construction costs and the corresponding need for higher rents required to meet mortgage payments. Some additional units are added to the rental stock when condominiums are leased. Approximately 30 percent of the 960 condominium units existing in 1980 were rented. The rental stock is reduced through the demolition of existing rental units. These units are often older, lower-priced units which are replaced by higher cost condominium units. From 1980 to 1983 forty-seven multiple-family rentals were lost because of demolition.

Median rent in 1980 was \$348 a month, a 115 percent increase from the 1970 median rent of \$165. This rate compares with \$311 a month in 1980 for San Mateo County and \$308 for Santa Clara County. The corresponding rate for California was \$253 a month, and \$199 for the United States. Rents have increased substantially since 1980. Informal surveys reveal rates for available rentals that generally range from \$400 - \$800 for a one-bedroom apartment and \$700 - \$1200 for two and three bedroom units. Single-family homes generally start at a rental rate of \$1000 per month.

Despite the high costs, the vacancy rates for both ownership and rental housing have been stable at below three percent in recent years due to the strong housing demand. In fact, the vacancy rate of rental apartments was .7 percent in November, 1983, and has been below 1.2 percent since April, 1976.

The federal Department of Housing and Urban Development defines "shortage" or "tight" market conditions as an overall rental vacancy rate of three percent or less and an apartment vacancy rate of five percent or less.

Looking To 2000

If new building were limited to remaining residentially zoned vacant land a total of only 1,630 additional units could be built. This involves 1,570 multiple-family units and 60 single-family and duplex units. Included in this figure is a projection of 1290 units at the Stanford West and 1100 Welch Road sites. There will be construction on other than vacant land, however. Some new multiple-family units will replace older single-family units in areas already zoned for multiple-family use. Other units will be built on land currently in commercial or industrial use, and additional units will be on surplus school sites.

The residential redevelopment potential allowable in multiple family residential zones is 740 additional dwelling units. This assumes development to the maximum density allowable, and merger of lots where feasible. In addition, approximately 620 residential units could be developed on vacant and surplus school sites, 225 on vacant industrial sites, and 670 on redevelopable commercial and industrial land. It is highly unlikely that residential development would reach these levels. A realistic estimate of development in Palo Alto is approximately 26,400 units in 1990 and 27,700 in the year 2000, compared to 23,750 in 1980. An inventory of vacant land is found on pages 42-43.

Only upper-income households will be able to rent or buy new multiple-family units, unless efforts are made to make some units available to low-, moderate-and middle-income households. The new single-family units will be so expensive that only high-income households will be able to afford them. At the same time, the City's present supply of lower-cost housing will be reduced through continued price escalation and removals to make way for the new construction.

The California Department of Housing and Community Development provides these definitions:

- o Very low income below 50 percent of the median income of the county.
- o Low income 50 to 80 percent of the county median.
- o Moderate income 80 to 120 percent of the county median.
- o Middle income 120 to 150 percent of the county median.

1983 median household incomes are shown in the table included in this section.

Decent, Safe, and Sanitary

Not all units in Palo Alto are decent, safe, and sanitary. Nearly three percent of Palo Alto's housing was substandard in 1980. Estimates made for Palo Alto's Housing Assistance Plan state that there are 381 owner units and 274 rental units which are substandard. These units do not meet Federal Section 8 Quality Standards or the more restrictive City code standards but are considered to be suitable for rehabilitation.

Original quality, level of maintenance, perceived redevelopment potential, and ownership are important in predicting future housing quality and neighborhood character.

Neighborhoods with a high percentage of rental properties and where original quality and the level of maintenance are low may get worse without remedial action. Absentee owners are not willing to invest in expensive repairs and improvements and tenants cannot be expected to do so. Absentee ownership is prevalent and profitable in many single-family areas because of Palo Alto's tight housing market.

The 1978 Zoning Ordinance, based on Housing Program 1, reversed much of the trend toward declining housing quality near Downtown by rezoning some of the multiple-family areas to single-family and duplex. This brought an increase in renovations of single-family homes in this area.

Housing units which are overcrowded also fail to meet accepted standards of decent housing. There are 325 units in Palo Alto with more than 1.01 persons per room.

The People

There are 55,225 people living in Palo Alto, and about 11,000 living on the Stanford University campus. Palo Alto's population in 1980 was down 1.5 percent from 56,000 in 1970. This decrease understates the real net loss in population, since Barron Park, with 3,400 persons, was annexed in 1975.

The 1980 U.S. Census showed that the average age of Palo Alto's population is rising. Persons 60 years and older made up almost one-fifth of Palo Alto's residents. This population increased from 7,980 in 1970 to 10,170 in 1980, a One of the highest concentrations ofe seniors in Santa Clara 27% increase. County is found in the Downtown area of Palo Alto. At the same time, the percentage of children in Palo Alto is decreasing. Children under 10 decreased from 7500 in 1970 to 4750 in 1980, a 37 percent decrease. Children under 18 made up 20 percent of Palo Alto's population in 1980, compared to 38 percent in Santa Clara County as a whole. Enrollment in the Palo Alto Unified School District has been declining steadily in recent years because of the drop in the birth rate and the tight, high-priced housing market which causes most families with young children to seek housing elsewhere. This declining enrollment led to the closing of nine elementary and two secondary schools in Palo Alto from 1976 to 1983. Student population in the School District has gone from 15,380 in 1967 to a 1983 enrollment of 8090, a 47% drop. A student population of 6,350 is projected for 1990 by the School District, after which the school age population is expected to stabilize.

In 1980 ethnic minorities made up almost 14 percent of Palo Alto's population. This is not an appreciable change from 1970. Persons of Spanish origin comprised 27 percent and blacks 20 percent of the minority population. Persons of Chinese and Japanese ancestry comprised nearly 35 percent of the minority population. Between 1970 and 1980 there was a 60 percent increase in the Chinese population, from 1,001 in 1970 to 1,608 in 1980.

Data on the handicapped population in Palo Alto indicates that there are 439 residents aged 16-64 and 948 over age 64 who have physical disabilties that limit use of public transportation. The U.S. Census also indicates that there are 2,108 Palo Altans with work disabilities, 815 of whom are prevented from working.

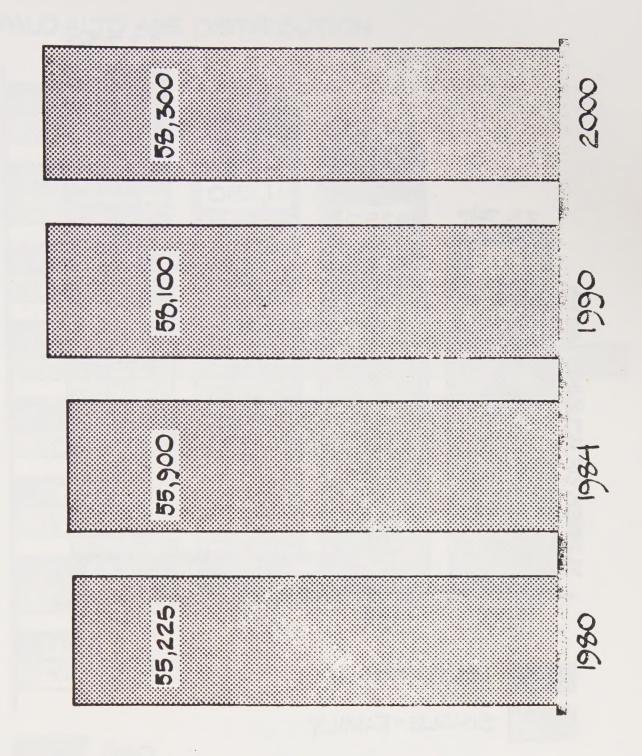
Of the total 23,041 households in Palo Alto in 1980, single-parent households total 1,640, including 1,361 households headed by females and 279 by males.

The median family income in Palo Alto grew from \$15,036 in 1970 to \$31,796 in 1980, a 111.5 percent increase. A comparison with Santa Clara and San Mateo Counties reveals that incomes followed similar patterns in these two counties with median family income in Santa Clara County increasing by 114.0 percent, from \$12,456 to \$26,662, while in San Mateo County median family income increased by 106.3 percent from \$13,222 to \$27,279. The median California family income in 1980 was \$21,537, and \$19,917 for the United States.

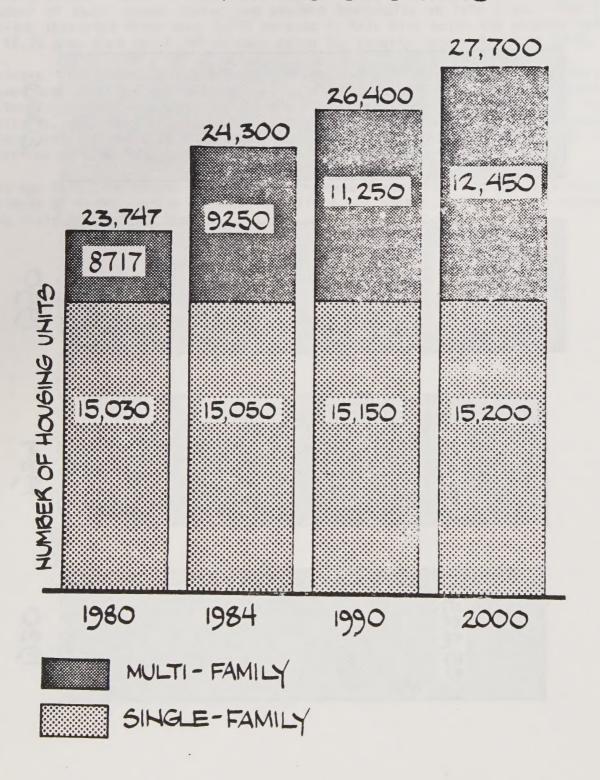
Median household income in Palo Alto was \$24,743 in 1980. Household income includes households comprised of a group of unrelated individuals or persons living alone. This is lower than median family income because of the large number of lower income senior and student households in Palo Alto. The 1980 Census indicated there were 3,248 persons in Palo Alto below the poverty level, a 12.3% drop from the 3,703 persons below the poverty income level in 1970.

Changes in population characteristics go along with changes in the housing inventory. The average household size will continue to decrease as families mature and older children leave home, as young married couples have fewer children, and as the proportion of one- and two-person households increases along with the increase in multiple-family units. Palo Alto's population will continue to rise in average age.

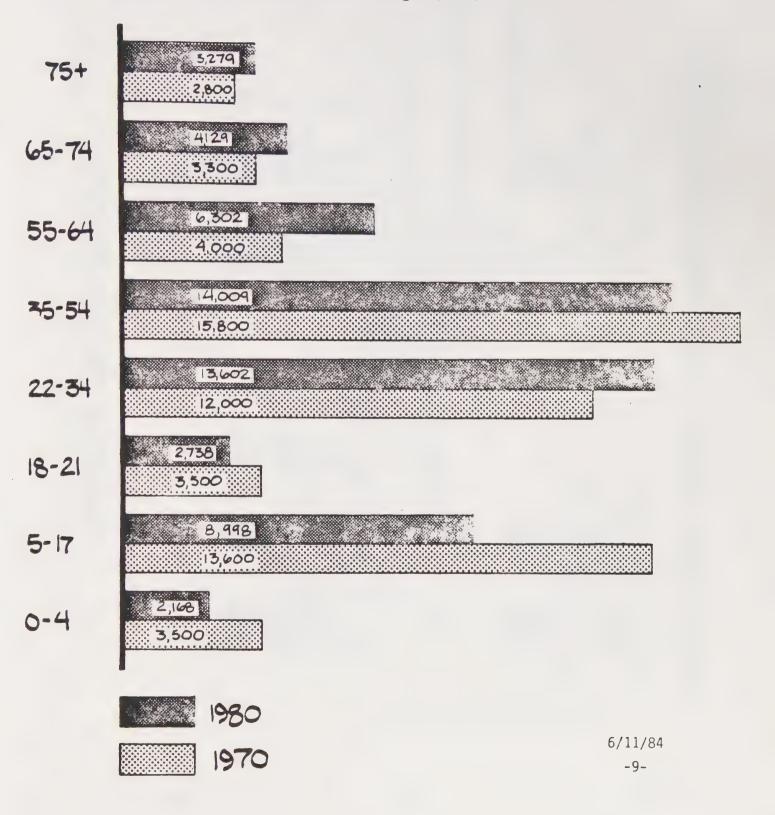
Average Palo Alto income is likely to increase faster than the Bay Area average because of higher income required to afford new housing units and the increasing costs of existing housing.



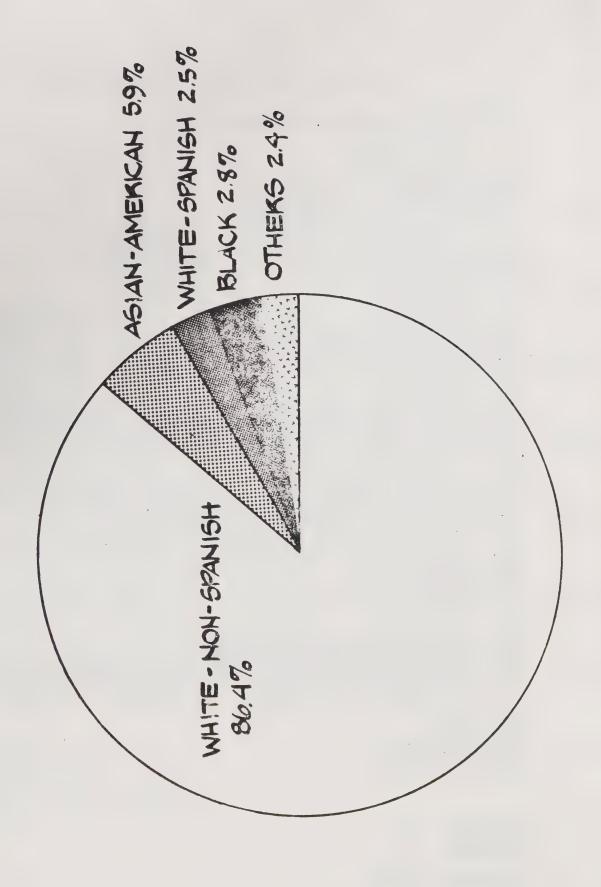
PALO ALTO HOUSING UNITS



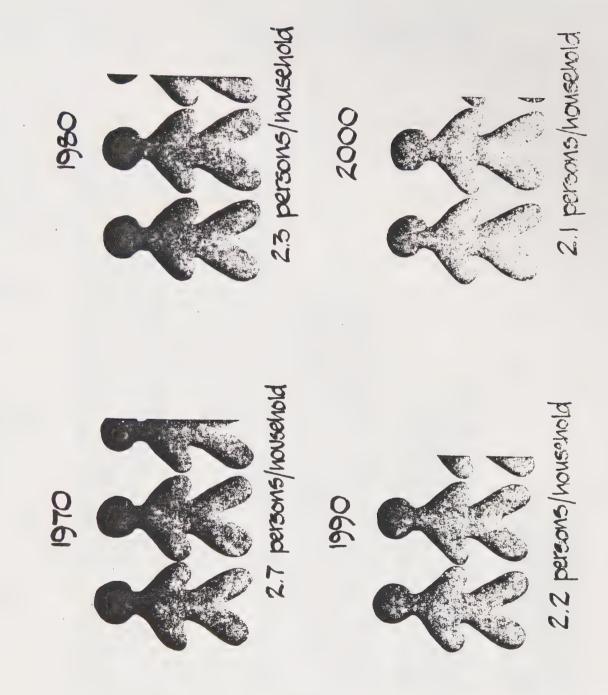
PALO ALTO AGE DISTRIBUTION



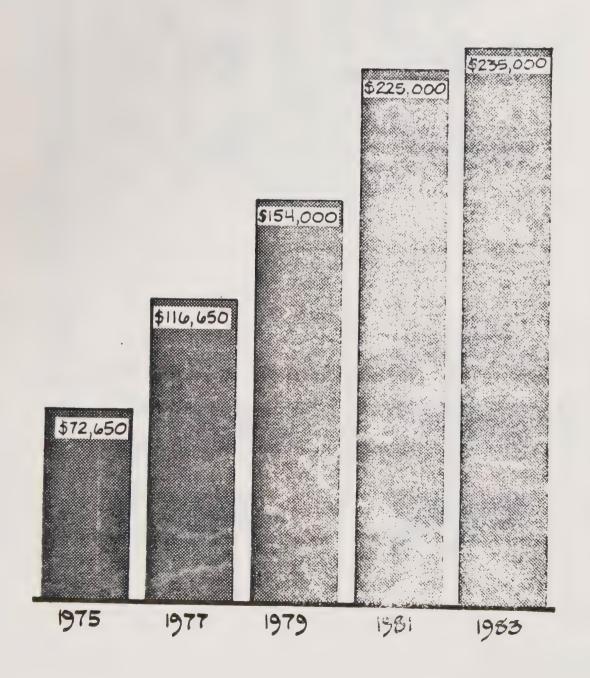
PALO ALTO ETHNIC DISTRIBUTION - 1980



PERSONG PER HOUGEHOLD



MARKET VALUES



THE COST OF BUYING A HOUSE									
HOUSE VALUE	\$125,000			\$150,000			\$200,000		
limital Costs (20% Downpayment and Closing Costs)	\$ 27,076			\$ 32.913			8 44.64 6		
Interest Rate	10%	13%	16%	10%	13%	16%	10%	13%	169
Monthly Costs: Payment on 30 Year Mortgage	\$ 878	\$ 1,106	\$ 1.345	\$ 1,053	\$ 1,327	\$ 1.614	\$ 1,404	\$ 1.770	\$ 2,152
Taxes	104	104	104	125	125	125	167	167	167
Insurance	35	35	35	. 42	42	42	56	56	56
	\$ 1,017	\$ 1,245	\$ 1,484	\$ 1,220	\$ 1,494	\$ 1,781	\$ 1,627	\$ 1,993	\$ 2,375
Required Monthly Household Income		3 3,735	\$ 4,452	3 3,66 0	\$ 4,482	\$ 5,343	\$ 4,881	\$ 5,979	\$ 7,125
Required Annual Household Income	\$36.612	\$44,820	\$53,424	\$43, 9 20	\$53,784	\$64,116	\$ 58.572	5 ~1,748	\$85.500

In 1980, most houses in Palo Alto cost between \$125,000 and \$200,000. This chart assumes that one-third of household income is available for mortgage, tax, and insurance payments even though some financial institutions do not allow these payments to exceed 25 to 30 percent of income. Increasing interest rates raise monthly housing costs substantially. Utilities and maintenance add substantially to the monthly cost of owning a house, but are not included in this table.

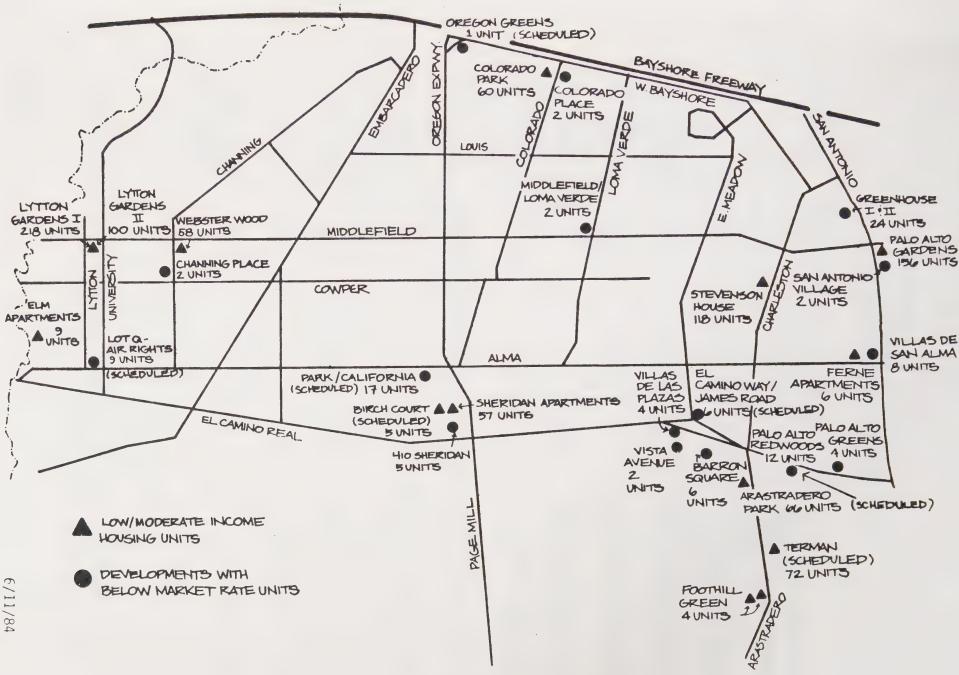
PALO ALTO HOUSEHOLDS BY % OF COUNTY MEDIAN INCOME 1980 CENSUS

% OF COUNTY MEDIAN INCOME	# OF HOUSEHOLDS	% OF TOTAL HOUSEHOLDS
Less than 50%	2,804	12.2%
50-80%	2,704	11.7%
80-100%	2,119	9.2%
100-120%	1,953	8.5%
120-150%	2,910	12.6%
Over 150%	10,541	45.8%

COMPREHENSIVE PLAN DEFINITION (% OF HOUSEHOLDS IN CATEGORY)

Very Low Income	-	below	50%	of	median	County	income	(12.2%)
Low Income	-	50 to	80%	of	median	County	income	(11.7%)
Moderate Income	-	80 to	120%	of	median	County	income	(17.7%)
Middle Income	-	120 to	150%	of	median	County	income	(12.6%)

LOWER COST HOUSING



-15-

LOW-INCOME HOUSING SUPPLY* 12/1/83

PROJECT (DATE COMPLETED)	TENANCY	ASSISTED UNITS	TYPE OF ASSISTANCE
Stevenson House (2/68)	Senior	118	Section 221(d)3 Section 8
Colorado Park (6/72)	Family & Senior	60	Section 236 Section 8
Palo Alto Gardens (9/73)	Family & Senior	156	221(d)3 rent supplement
Arastradero Park (7/74)	Family & Senior	66	Section 236 Section 8
Lytton Gardens I (4/75)	Senior	218	Section 236 Section 8
Webster Wood (8/78)	Family	58	Calif. Housing Finance Section 8
Lytton Gardens II (2/79)	Senior	100	Section 202 Section 8
Sheridan Apartments (5/79)	Senior	57	Section 8
Elm Apartments (1/82)	Family or Senior	9	Section 8 Mod. Rehab.
Section 8 (existing-1/83)	Family & Senior	93	Section 8
TOTAL ASSISTED UNITS		935	
	SCHEDULED		
Birch Court (3/84)	Family	5	Palo Alto Housing Corp Subsidy
Terman (12/84)	Family & Senior	72	Section 8

^{*} Per HUD definition -- households having incomes below 80 percent of the county median income, or the Section 8 income standard.

DEVELOPMENTS WITH BMR UNITS 1/1/84

UNITS OCCUPIED

•	~	
DEVELOPMENT	YEAR OF FIRST SALE	NUMBER OF UNITS
Foothill Green Villas San Alma Greenhouse I Greenhouse II Channing Place 410 Sheridan Villa Las Plazas Vista Town Houses San Antonio Village Barron Square Palo Alto Greens Colorado Place	1974 1975 1975 1976 1976 1977 1978 1979 1979 1979	4 8 14 10 2 5 4 2 2 6 4 2
SUBTOTAL		63
UNITS APPROVED Oregon Green	BUT NOT YET OCCUPIED	. 1
Redwoods Park/California El Camino Way Lot Q Air Rights		12 17 6 9
SUBTOTAL		. 45
TOTAL		108

APRIL, 1983 FEDERAL HOUSING ASSISTANCE PROGRAM INCOME LIMITS

PERSONS	MEDIAN SANTA CLARA COUNTY INCOME FOR PURPOSES OF HOUSING ASSISTANCE	80% MEDIAN	120% MEDIAN	150% MEDIAN	200% MEDIAN
1	\$24,300	\$19,450	\$29,150	\$36,450	\$48,600
2	27,750	22,200	33,350	41,600	55,500
3	31,250	25,500	37,500	46,850	62,500
4	34,750	27,800	41,700	52,100	69,500
5	37,000	29,500	44,300	55,500	74,000
6	39,050	31,250	46,900	58,550	78,100
7	41,250	33,000	49,500	61,850	82,500
8	43,400	34,750	52,100	65,150	86,800

Palo Alto's Below Market Rate Program is for households having incomes between 80 percent and 120 percent of the County median. In 1983, under conventional financing terms, virtually all first time buyers with incomes less than 200 percent of the median were excluded from the local housing market.

HOUSING CONSTRAINTS

The effort to provide affordable housing is constrained by a variety of factors. These constraints include market forces and governmental regulation.

Market forces, which often cannot be addressed by local government, include the cost of construction, the cost of financing, and the cost of land. Current construction costs vary widely depending upon type of construction (wood frame or steel and concrete), parking requirements (underground parking greatly increases costs), degree of amenities, and other factors. Excluding land costs, construction costs for a unit developed under a lower cost scenario would range from \$75 to \$85 a square foot. These costs escalate up to and above \$100 a square foot when factors such as underground parking are included. A modest 1,000 square foot unit, excluding land cost, therefore, could cost \$100,000 in construction cost alone.

The cost to the buyer of housing is greatly impacted by the available interest rate and terms of financing. Interest rates increased rapidly during the early 1980's and have only moderately declined by 1984. Real interest rates, which considers the difference between the current interest rate and the inflation rate, remains high. Economists predict that these high rates are not likely to decline substantially in the foreseeable future. Palo Alto has assisted in reducing financing costs through participating in mortgage revenue bond programs.

Land cost in Palo Alto constitutes a major component of overall development cost. Residential developers pay between \$10 - \$25 a square foot for land in Palo Alto depending upon the location and development potential of a parcel. This cost alone can add \$20,000 to \$50,000 a unit in development cost. The City in the past has used local and federal revenue sources to reduce the cost of land for the development of low and moderate income housing.

Governmental constraints that impact the cost of housing include building codes, intrastructure requirements, and land use regulations. The City uses the Uniform Building Code to insure safe housing through minimum building standards. Application and building fees currently are about the same, if not lower than, surrounding communities. A 1982 survey by the Association of Bay Area Governments (ABAG) on local development fees listed Palo Alto as having among the lowest residential development fees in the San Francisco Bay Area. For singlefamily housing units, only 25 percent of Bay Area communities had lower development fees, and for multiple family housing units only 11 percent of Bay Area communities had lower development fees. These fees are periodically reviewed to insure that they are equitable, and are limited to the cost of providing build-The City on an ongoing basis is attempting to improve and ing services. expedite its permit processing procedures. Currently, a one-stop information center is being implemented, along with a computerized data information system.

Utility hook-up fees for new developments are lower than most communities because of the City ownership of utilities, including sewer, water, gas, and electrical. These fees are reevaluated at least every two years. There are no unusual or extraordinary site improvement or special impact fees imposed by the City.

Zoning and density limitations by their nature limit the allowable development on a site, which may increase the cost of development. The specific zoning applied to particular areas of the City reflects the overall objectives and policies of the Comprehensive Plan, including the housing element.

The following section includes specific policies and programs which seek to evercome some of these constraints, and to provide various incentives to reduce the cost of housing.

HOUSING NEEDS. POLICIES AND PROGRAMS

Maintaining Palo Alto's residential qualities is uppermost in most people's minds. Because Palo Alto is a fine residential community, some Palo Altans see no need for any futher city involvement in housing. But staying the same often requires more involvement than letting unwanted change occur.

The following policies and programs have been developed to deal with the need for attention to neighborhood character, housing quality, new housing, and diversified housing opportunities. Residential amenities such as schools, parks, and city services, which are not directly related to housing, are not discussed in this section.

Neighborhoods

Protecting existing neighborhoods is an important element of Palo Alto's housing policies because Palo Altans want to maintain the residential character that marks much of the City.

Policy 1: Maintain the general low-density character of existing single-family areas.

Policy 2: Preserve older single-family homes and small apartment buildings.

In single-family zones, which are over 90 percent of Palo Alto's residentially zoned land, these goals will not be difficult because little new construction will take place. New single family homes will be built on the few remaining vacant sites scattered throughout the areas. Because of the scarcity of vacant land zoned for multiple-family use, however, new multiple-family construction will often replace older homes on land zoned for multiple-family use. Some single-family and multiple-family development will take place on surplus school sites.

To reduce the changes in neighborhood character created by this redevelopment, the 1976 Comprehensive Plan called for the retention of some of the older homes which were in danger of demolition, especially in downtown Palo Alto. These older homes were usually less expensive per square foot than the new multiple-family units. This allows their prices to remain in the lower range of Palo Alto's housing market. Unfortunately, even these older homes have become so expensive that moderate-income buyers can no longer afford them.

The RMD(NP), Neighborhood Preservation, zone was created to reverse this trend. It is a multiple family zone which permits a second dwelling unit to be built on a site while preserving the existing older unit. Otherwise, maximum development would result in the loss of the older house, often loss of rental stock, and a changed neighborhood character.

Several specific programs have been developed to preserve older single-family houses and small apartment buildings. The specific agency or department with the lead responsibility for implementation of each program is identified.

Program 1: In areas adjacent to the Downtown shopping area, maintain single-family and duplex areas and have multiple-family close to shops and offices.

Program Responsibility: Planning Division

Program 2: Continue using minimum lot-size standards for single-family neighborhoods to discourage splitting of larger lots.

Program Responsibility: Planning Division

In most single-family areas, the splitting of larger lots will have an adverse effect by gradually increasing density and traffic. The Zoning Ordinance contains six single-family zones, ranging from minimum sizes of 6,000 to 40,000 square feet. These zones have been applied to minimize the amount of lot splitting.

Program 3: Continue the cottage-provision in R-1 zones insuring that new development fits in with existing single-family properties.

Program Responsibility: Planning Division

In response to the 1980 Comprehensive Plan, in 1982 a cottage provision was placed in R-1 zones allowing a second residential unit on lots which exceed the minimum lot size by at least 35 percent. Ten new units were approved in the first year under this provision. In 1983 the regulations were amended to limit the second units to a maximum of 900 square feet.

Policy 3: Protect and enhance those qualities which make Palo Alto's neighborhoods especially desirable.

Program 4: Use the Zoning Ordinance, other codes, and specific plans to maintain high-quality neighborhoods.

Program Responsibility: Planning Division

The Zoning Ordinance and Map set broad standards for how structures relate to one another, the street system and public facilities. The Architectural Review Board applies design standards to multiple-family and all nonresidential development. Maximum privacy, natural light, and outdoor space and minimum undesirable contacts with traffic are the desired results for individual units. The Plan encourages low-density multiple-family areas. Within multiple-family areas, the zoning map has higher density zones located farther from single-family areas. On larger sites undergoing development, densities can be varied in relation to distance from nearby single family areas.

Two special zones have been used to accomplish this goal of maintaining high quality neighborhoods. The RMD(NP), Neighborhood Preservation, zone was developed for part of the College Terrace neighborhood. This zone limits the development potential in a multiple family zone while allowing a second dwelling unit to be built on lots over 5,000 square feet. The zone allows flexibility of site development regulations for development of the second unit when the existing older unit is preserved. The T-Combining District has been used as an overlay zone on multiple family residential districts to limit building height to two stories, providing a better transition between a single family and adjacent multiple family zone.

Serious conflict can arise between residential and adjacent non-residential activities. Development in such areas should be designed to minimize the potentially noisy and bothersome effects of air conditioning and heating equipment, parking lots, loading docks, and refuse containment areas by buffering them or designing them to be quiet, attractive, and unobtrusive.

Building Code enforcement ensures that structural quality remains high and also helps maintain high-quality neighborhoods. Code enforcement applies quality control standards systematically to all new housing construction. Enforcement of the Housing Code, which sets standards for existing housing, is now voluntary or handled by complaint.

Policy 4: Support locally assisted housing rehabilitation with public and private financing.

Certainly not all older houses in Palo Alto need rehabilitation; many have been well-maintained over the years. However, there are sections of the community that may begin to turn downward unless the normal processes of deterioration are reversed.

Rather than start a program of mandatory code enforcement, the City Council, in May, 1974, voted to establish a voluntary, locally assisted rehabilitation program to aid present code enforcement.

Program 5: Encourage housing rehabilitation in residential areas by continuing the City wide inspection and enforcement program.

Program Responsibility: Planning Division

The City is promoting code inspection as a service to residents and as a deterrent to neighborhood deterioration.

Program 6: Provide rehabilitation assistance to low-income households in Palo Alto.

Program Responsibility: Planning Division

A housing rehabilitation program established by the City in 1974 relies on Federal Community Development Block Grant funds. The program provides low-interest loans or deferred loans. Since it began, the program has loaned over \$2,350,000 to 259 homeowners in Palo Alto, 92 percent of whom have low incomes. The majority of loans are going to seniors and female single-parent households. At first, the program concentrated on two target neighborhoods, but moved City-wide in 1978, with loans reserved for only low income households. Although its funding has been reduced because of reduced federal funding and other urgent needs, the program is still needed, and there is a continuing high demand for loans.

Rehabilitation is expensive, and present occupants, especially renters and senior citizens with limited incomes, may not be able to afford the additional costs unless they have financial help. The Senior Home Repair Program, which is administered by the Senior Coordinating Council and partially funded by the City, provides subsidized home repair services to assist senior homeowners. Over 350 subsidized services are performed annually.

Rental property owners can contract with the Santa Clara County Housing Authority to provide federal rent subsidies. Unfortunately, private landowners have few incentives to make their units available for these federal assistance programs. With the limited supply of rental housing, owners have little problem renting their units.

The Cost of Housing

State and federal policies call for communities to provide housing for all income groups, and Palo Alto has attempted to see that there are housing opportunities for people with a wide range of incomes. The trend toward everescalating housing costs continues, however. Housing costs have risen due to

inflation in materials and labor, and continuing high interest rates. Additional local reasons for the increase are the high demand for housing in Palo Alto, which is heightened by the scarcity of land available for new housing development, the large number of jobs, and the demolition of lower-cost units to make way for expensive new construction.

When the price of housing goes up, large segments of the population gradually become unable to compete for housing in Palo Alto:

- o Middle- and moderate-income households, particularly those with children, who cannot afford to buy a home in expensive housing areas.
- o Seniors on limited incomes, such as pensions and Social Security.
- o Households with low-paying jobs or on public assistance who cannot afford high rents.

Students also generally have limited financial resources. Those who do not want to live on campus or who cannot be accommodated there because of lack of space in the campus housing system, however, may be able to compete in the housing market because they are willing to share units with others.

There is no way to estimate the number of households who, although they want to live in Palo Alto, live elsewhere because they cannot afford to live here. Others with strong enough reasons do decide to live in Palo Alto no matter what the costs. The costs include not only paying more than they want to pay for housing, but also living in units which are structurally inadequate or overcrowded.

In 1980, 7,400 Palo Alto households, over 35 percent of the total households, were paying over 25% of their monthly income on housing. Forty-nine percent of all renters (5,130) were paying over 25 percent of their income on gross rent. Over 20 percent of homeowners were paying more than 25 percent of their income on ownership housing costs. Almost one-half of the households paying over 25 percent of their gross income for housing are very low- and low-income households, with incomes less than 80 percent of the County median. Nearly 3,000 renters, and 630 homeowners, fell into this category.

Seniors are particularly susceptible to the hardships generated by rapidly inflating housing costs. Although most seniors now living in Palo Alto would like to stay, many are finding the expenses of increased rent or maintenance costs more and more difficult to sustain. Housing complexes for seniors of low- and moderate-income have so many requests that some have stopped taking names for waiting lists.

These figures are based on the housing situation at any given time. Annual estimates of housing need are included in Palo Alto's Housing Assistance Plan, which is required as part of Palo Alto's annual application for the Community Development Block Grant Program.

It should be recognized that as Palo Alto is made an even more desirable place to live, demand for housing will increase, pushing up purchase prices and rents even further. Increased housing costs make it even more difficult for low- and moderate-income households to make ends meet in the Palo Alto housing market. This makes it even more important to have public policies which encourage housing which can be afforded by low- and moderate-income households.

Without such policies and programs the supply of lower-cost housing will continue to dwindle and low- and moderate-income owners and renters will continue to be pushed out of Palo Alto by redevelopment, conversion, and rising rents. New residents will be only those with higher incomes.

Priorities For Increasing Housing Supply

The character of a city is determined by the type of people who live in it as well as by the quality of life, amenities, and services that the city can offer. Many Palo Altans, not only those on the verge of being squeezed out, are concerned about the loss of the diversity and balance the community once had. To assure that housing opportunities are available to a broad spectrum of households, new multiple-family housing should result in significant amounts of housing that households earning low-, moderate-, and middle-incomes can afford, while maintaining those qualities which make life so attractive in Palo Alto. Special attention should be given to housing for households with children and for people who work in Palo Alto.

When work began on the 1976 Palo Alto Comprehensive Plan in the early- and mid-1970's, housing policies and programs reflected the assumptions that:

- o Federal subsidy programs would provide housing for those households with incomes less than 80 percent of the County median.
- o The Below-Market-Rate program would offer housing for those households with incomes between 80 and 120 percent of the County median.
- o The private market would provide housing for those households with incomes above 120 percent of the county median.

However, by 1980 virtually all first-time buyers with incomes less than twice the median were excluded form the local housing market. An income of nearly \$65,000 is needed in order to purchase a \$180,000 house, the median price home in 1984. Such high-priced housing is not "affordable" to many households. As used in the Comprehensive Plan, affordable housing is that which can be purchased or rented by households whose incomes do not exceed 150 percent of the median, and who pay no more than 30 percent of their gross income for this housing.

There is a continuing substantial need for affordable rental housing in Palo Alto. However, revenues from market-rate rental units, even with low land costs, tend not to cover the costs of constructing and financing new rental

housing unless such costs are reduced through subsidies or significant innovations in financing developments.

In order for the City to make progress in providing affordable housing, a wide array of programs and activities must be pursued.

Policy 5: Increase affordable housing supply through better use of existing housing.

Better use of existing housing in Palo Alto provides perhaps the best opportunity to increase the supply of affordable housing. A variety of creative programs have recently evolved which increase the number of available living spaces. Shared housing programs which match home providers with home seekers are currently offered in Palo Alto.

Other creative methods of better using of the existing supply should be investigated. This might include changing the rules limiting second kitchens, thereby allowing some large homes to be occupied by more than one family.

Program 7: Continue support for Shared Housing Programs.

Program Responsibility: Planning Division and Social and Community Services Department

Shared housing for seniors and single-parent household are currently supported through the Community Development Block Grant program. Approximately 50 matches are successfully arranged each year.

Rental Housing

Policy 6: Maintain at least the present number of multiple-family rental units while working to increase the overall supply of rental housing.

Program 8: Continue the adopted condominium conversion ordinance.

Program Responsibility: Planning Division

Most of the lower-cost housing in Palo Alto is rental housing. Between 1968 and 1974, nine apartment projects containing 231 units were converted to condominiums, threatening to reduce the rental housing supply substantially. Conversions in Palo Alto had a displacement rate of 82 percent, according to a

1974 survey. Most tenants were forced out because of higher costs, because the monthly carrying cost of a condominium is almost always higher than rent on a comparable unit. A few tenants moved out because at that time they would rather rent than own. A 1974 condominium conversion ordinance greatly reduced the number of conversion applications until two large applications were received and approved in 1980. Neither of these two projects, however, were ultimately converted. The 1974 condominium conversion ordinance was replaced in 1981 by a new ordinance which allows an application for conversion to be filed only if there is a City-wide rental vacancy rate which exceeds three percent, or regardless of the vacancy rate, if:

- o One below-market-rate rental unit is provided for every two non-below-market-rate units to be converted.
- o The tenants of at least two-thirds of the rental units consent to the conversion.

There have been no condominium conversions since this ordinance became law.

- Program 9: For any residential development in multiple-family zones which causes the loss of rental housing units, subdivision approval (including condominium maps) may be granted only if any one of the following four circumstances is met:
 - o The project will result in a significant net gain to the City housing supply (defined as 100 percent more units than those previously existing on the site) and comply with the City BMR program (broadened to include, in this case, projects with less than 10 units); or
 - o The number of rental units to be provided by the project is at least equal to the number of existing rental units (defined as all units past one in any project); or
 - o Not less than 20 percent of the units provided are BMR units (minimum one BMR, no in-lieu fee); or
 - o Not less than 50 percent of the units shall be marketed to households of middle incomes (proportionally distributed among households within the 120 to 150 percent of the County median income range) and shall have deed restrictions to assure continued affordability with resale.

Program Responsibility: Planning Division

This program establishes an acceptable tradeoff between the number and type of new units in a condominium subdivision and the loss of rental units. The first condition provides only for redevelopment within existing zoning levels. The intent of this condition is to discourage demolition of rental units where there is an insignificant net gain in units.

Affordable Housing

- Policy 7: Encourage and foster the development of new and existing housing units affordable to low-, moderate-, and middle-income households, especially those households with children. These units, for either ownership or rental, should be dispersed throughout the City.
- Program 10: Continue support for the Palo Alto Housing Corporation in the provision of low-, moderate-, and middle-income housing, with primary emphasis on the low and moderate income sectors. Insure that the housing provided, including middle income housing, remain affordable over time.

Program Responsibility: Planning Division

The Palo Alto Housing Corporation was established in 1969 to encourage and develop low- and moderate-income housing in Palo Alto. It is an independent, non-profit organization whose board members serve without pay. In addition to its development activities, the Corporation has provided consulting services on housing to the City under contract since 1970. Administration costs of the Corporation have been funded by the City's Community Development Block Grant Program.

The Corporation has sought to use every means to produce housing at lower costs without sacrificing quality. Construction and permanent financing at lowest available interest rates, reduction of land costs through landbanking or other means, and development by experienced non-profit housing organizations can combine to yield affordable housing.

Projects developed by the Corporation include Colorado Park, Webster Wood, Birch Court, and the Terman Apartments scheduled for occupancy by early 1985. The Corporation also owns and operates the Elm and Ferne Apartments.

- Program 11: To make multiple family housing attractive for families with children, such housing should provide suitable open space areas for children's play.
- Program 12: In housing developments of 10 or more units, not less than 10 percent of the units should be provided at below-market rates to low and moderate income families. For each BMR unit provided, a developer shall be permitted to build one additional market rate unit up to a maximum unit increase over the allowable zoning of 15 percent, and consistent with all other zoning requirements.

Program Responsibility: Planning Division, Palo Alto Housing Corporation

The City of Palo Alto's BMR Program is intended to increase the housing supply for individuals and families who have low and moderate incomes. Since the beginning of the program in 1974, 63 units have been occupied, and another 45 have been committed to the program. The primary objective is to obtain actual housing units rather than equivalent cash. Occupancy of BMR units is determined according to City Council-established guidelines from those on a numbered waiting list maintained for the City by the Palo Alto Housing Corporation.

The initial selling price of BMR units is based on what would be affordable to families whose incomes are no higher than 120 percent of the median income related to family size, as established from time to time by HUD for Santa Clara County (BMR Income Guildelines).

Before acceptance of plans for review by Palo Alto City staff, a developer of a complex of ten or more residential units should agree to one or a combination of the following alternatives that are listed in order of priority. Provision by the developer and acceptance by the City of the BMR arrangement will be part of the application for development.

On-Site BMR Units

For each ten units developed, not less than one of such units should be provided as a BMR unit within the development. The price for such BMR units should be established at the time of approval of the tentative subdivision map by the City. The price should be based on the estimated direct construction and financing cost of the BMR unit (excluding land cost, marketing cost, offsite improvements and profit), but in any event should be consistent with the price ranges allowed by the BMR Income Guidelines in effect at the time. Fractions of required BMR units should be handled by equivalent in-lieu payments.

For each BMR unit provided, a developer shall be permitted to build one additional market-rate unit. However, in no event shall the total number of units in a development be more than 15 percent over the number otherwise allowed by zoning.

Off-Site BMR Units

Provide on or before completion of any development of ten or more units not less than one BMR unit elsewhere in the City for each nine units developed. These units may be new or existing and must be approved by the City, taking into consideration such factors as size, location, amenities, and condition.

In-Lieu Payments Based on Sales Price

The City will consider an in-lieu payment alternative to actual units only if the developer substantiates that the direct construction and financing costs of

the BMR units (excluding land cost, marketing cost, off-site improvements and profit) exceed the selling prices allowed by the BMR Income Guidelines.

The in-lieu payment is to be 3 percent of the actual sales price of each unit sold. The payment will be made to the City upon the sale of each unit in the subdivision.

In-lieu payments for fractions of BMR units will be determined:

- o Disregarding any bonus units.
- o As 3 percent of selling price of each of the units for which no BMR unit is provided.

If the developer retains any completed unit as a rental, either for its own account or through subsidiary or affiliated organizations, the in-lieu payment for such unit should be negotiated between the developer and the City.

Equivalent Alternatives

The City may consider reasonably equivalent alternatives to these guidelines.

Sites Larger than Five Acres

Developers who build on sites larger than five acres are expected to provide more than 10 percent BMR units or to set aside land for assisted housing to be built by others. Appropriate BMR contributions in such cases shall be individually negotiated between the developer and the City.

Below-Market-Rate guidelines for rental housing developments should be adopted. The BMR program guidelines have been developed for sale housing. Guildelines should be developed for rental housing developments in the event that a market rate rental project is proposed.

Program 13: Encourage the development of Limited Equity Housing Cooperatives.

Program Responsibility: Planning Division

Housing cooperatives are receiving more attention in this area as a practical way to reduce housing costs. Cooperative housing is a form of home ownership which is jointly owned by the people who live in the development. Limited-equity cooperatives are generally targeted to low and moderate income persons. A cap is placed on the allowable equity build-up of individual ownership which insures continued affordability. City support in the form of land acquisition and financing assistance should be considered for limited-equity cooperative housing whose occupancy is primarily people of low to moderate income and in keeping with other City policies.

Program 14: Provide zoning flexibility to encourage the development of smaller units affordable to low- and moderate-income persons.

Program Responsibility: Planning Division

Many multiple family units now being built in Palo Alto are over 1,200 square feet in size, and are priced beyond the reach of low- and moderate-income households. The private sector may be able to provide affordable units if high land costs could be spread over more units and the construction costs lowered by reducing the size of the units.

In order to encourage smaller, affordable housing in multiple family, commercial, and industrial areas, the City will consider planned community developments which limit building size to that established by the standard zoning of the area but allow the number of units to exceed the number normally allowed under the zoning of the area. In return for receiving a greater number of units, the developer shall provide a mechanism to assure that the units gained will be affordable to low- and moderate- income households. The site development standards of the planned community district shall adhere to those of the zoning applied prior to the establishment of the planned community district.

In considering such developments, the City shall assure that the number of units allowed will be compatible with the surrounding land uses, that traffic and public services will not be adversely impacted, and that the development will not result in adverse off-site parking impacts.

Program 15: Study surplus school sites to determine possibility of more affordable housing.

Program Responsibility: Planning Division

A total of ten surplus school properties are currently being leased for a variety of interim uses. Each of these sites should be evaluated before rezoning to determine if affordable housing beyond the Below-Market-Rate requirement is appropriate.

Program 16: Evaluate commercial and industrial properties with the intention of rezoning to housing where appropriate.

Program Responsibility: Planning Division

Program 17: Consider new multiple family zoning in which the number of units allowable is a function of their affordability.

Program Responsibility: Planning Division

Zoning for affordability is a new concept that would establish flexible zoning density levels for specific sites, allowing a greater number of total housing units, depending upon the number of lower cost units provided by a developer.

Program 18: Continue to require developers of employment-generating commercial and industrial developments to contribute to the supply of low and moderate income housing.

Program Responsibility: Planning Division

Commercial and industrial developments generate added employment in Palo Alto, thereby increasing the demand for more housing in Palo Alto. A certain percentage of these employees needing more housing will be low- and moderate-income families. Developers who contribute to the current jobs/housing imbalance and the concomitant increasing shortage of low- and moderate-income housing should be required to assist the City in solving the housing problem.

One way Palo Alto has obtained more housing for low- and moderate-income families has been to require, through the California Environmental Quality Act, large employment-generating developments to contribute funds to City programs set up to construct or acquire housing for low- and moderate-income families. This program should be continued pursuant to an ordinance that specifically sets out the housing contributions required of commercial and industrial developers.

Policy 8: Encourage and participate in low- and moderate-income housing programs financed by other levels of government.

Most city housing programs have aimed to make federal and state assistance programs more effective here. In 1981, with the passage of the new State Housing Element law, a new "fair share" housing need method was established. This law provided guidelines for local Council of Governments to determine regional housing needs and applicable City and County shares of such needs. The Association of Bay Area Governments (ABAG) determined that Palo Alto's projected 1980-1990 need is 2,441 additional housing units, including 1,318 units which will be affordable to low- and moderate-income households. As required by the new law, the housing need should be projected over a five-year period (19 percent of the total units to very low income households, 15 percent to low-income households, 20 percent to moderate-income households).

INCOME CATEOGRY	1985-1990 FIVE YEAR HOUSING NEEDS
Very Low (0-50% of Median Income) Other Lower (50%-80%) Moderate (80%-120%) Above Moderate	232 183 244 562
TOTAL UNITS	1,221

It is unlikely that Palo Alto can provide that many units for lower-income households because of limited federal resources and lack of land. But the City will use public and private resources to make a good-faith effort to provide as many units as it can in meeting its required need. A housing action plan setting forth the City's five-year goal for housing assistance is found at the end of the housing element.

Program 19: Continue the Land Bank Program.

Program Responsibility: Planning Division

The Land Bank Program provides for City purchase of sites primarily for resale to developers interested in providing rental housing for lower income households. The construction of this housing is impossible without both a land bank program to make the land available and federal assistance to lower housing costs. Since 1976, funds for this program have come from Community Development Block Grants, Below-Market-Rate program in-lieu funds, environmental mitigation payments, and City capital improvement funds. The program has assisted in the development of Lytton Gardens Phases I & II, Webster Wood, The Sheridan, Birch Court, and the Terman Apartments.

Program 20: Reinstate the local rent supplement (Piggyback) program upon availability of appropriate federal housing programs.

Program Responsibility: Planning Division

Palo Alto's Piggyback program was created in 1974 when it became apparent that maximum rents payable by the Santa Clara County Housing Authority under the Section 23 housing assistance program were too low to make the Housing Authority a real competitor for units in Palo Alto's tight housing market. Until the Section 23 program was terminated by the federal government in 1982, the City provided subsidies to the Housing Authority to help lease up to 20 units annually.

Similar rental assistance programs are being considered by the federal government which may need local rent supplements. The City should reinstate the Piggyback program if a rental assistance program becomes available.

Program 21: Support the Rental Housing Acquisition Program under which the Palo Alto Housing Corporation acquires, rehabilitates if necessary, and operates existing rental housing primarily for low and moderate income persons.

Program Responsibility: Planning Division/Palo Alto Housing Corporation

The Housing Corporation's Rental Housing Acquisition Program helps provide and preserve low- and moderate-income rental housing in Palo Alto. The Housing Corporation operates City-wide to acquire, rehabilitate where necessary, manage, and rent residential properties to provide housing at the lowest possible cost while maintaining a financially self supporting program.

Community Development Block Grant funds have been used to acquire two properties under this program, the 12-unit Elm Apartments and the 16-unit Ferne Apartments.

Finding satisfactory properties which can be afforded by the Housing Corporation under this program has been difficult. The City should investigate different financing mechanisms which might reduce the cost to purchase properties. One potential mechanism to be explored is the establishment of a non-profit entity directly controlled by the City which could acquire properties through promissory notes, the interest on which is tax-exempt. Sellers would be willing to reduce their price because of the tax-exempt nature of the payments. Management of the units would be by the Housing Corporation.

Program 22: Maintain the high priority for housing programs in the allocation of Community Development Block Grant Funds

Program Responsibility: Planning Division

The Palo Alto Community Development Block Grant three-year plan (1982-85) establishes a funding allocation goal of at least 80 percent for housing related activities, a level which has been exceeded in recent years. This high level of support to housing should be maintained.

Policy 9: Encourage innovative housing financing techniques to make more housing affordable.

Innovative financing techniques have been developed that reduce the costs of owning new and existing housing. An example is Stanford University's coinvestment (COIN) program that provides subsidized second mortgages to the homebuyer. This program is now being replaced by the "Ten-Thirty Program", which allows a homebuyer to defer part of a monthly payment obligation for up to ten years on a thirty-year conventional loan. Stanford will guarantee repayment of the deferred interest obligation.

Another example is equity sharing, in which a homebuyer and an investor form a partnership that share in the downpayment, monthly payments, and the equity of the property for a limited time. The homebuyer saves on down payment and monthly payment costs and can obtain tax deductions and other advantages of home ownership.

Program 23: Use mortgage revenue bonds to reduce the cost of housing finance.

Program Responsibility: Planning Division

The City should use funds from these bonds to provide lower interest, long-term mortgage loans to buyers of below-market-rate housing for building or buying federally or state assisted housing for low- and moderate-income households.

Palo Alto, as a participant in the County of Santa Clara Mortgage Revenue Bond Program, has received bond financing for buyers of 83 new owner-occupied homes in Palo Alto, and for construction and permanent financing of the 92-unit Terman Apartments.

Policy 10: Increase funding sources used to provide affordable housing.

Program 24: Develop ways to obtain greater contributions from commercial and industrial developers.

Program Responsibility: Planning Division

Program 25: Develop local revenue sources to address funding for affordable housing.

Program Responsibility: Planning Division

The development of affordable housing has relied predominantly in the past on federal funding sources. For the most part, these sources are no longer available. Cities must look to new and diverse sources of funds in order to continue the production of affordable housing.

Policy 11: Support the mixing of residential uses in commercial and industrial areas.

Mixing residential uses in commercial areas offers promise of increasing the housing supply. Residences can be built over stores and offices, and in Palo Alto's attractive industrial areas. This could also reduce commute costs and help employers recruit employees to the area with more affordable housing. The housing would also improve the urban design quality of the city's commercial districts by adding variety and pedestrian activity to shopping streets. These gains would be made at the cost of some additional traffic congestion. Since 1980, several large mixed use projects have been built in Palo Alto. A 117 unit condominium and 40,000 square foot commercial complex is currently being developed in the California Avenue Shopping area.

Program 26: Evaluate existing incentives for encouraging residential use on land zoned for commercial and industrial use to determine whether incentives implemented to date are effective and should be maintained, and determine what new incentives should be provided. Evaluate any disincentives which discourage residential use on land zoned for commercial and industrial use, and if necessary, eliminate or mitigate such disincentives.

Program Responsibility: Planning Division

Program 27: Continue to consider development of residential units on air space over selected public and private parking lots.

Program Responsibility: Planning Division/Real Estate

Some assessment district and private off-street parking lots can be put to more effective use by allowing and encouraging housing over the parking areas. The City has developed procedures for considering air rights projects for assessment district lots. One application for forty residential units and parking has been approved. The City will evaluate this project to determine how successful the air rights concept is in application.

Program 28: Work with local employers to encourage the development of housing for persons working in Palo Alto.

Program Responsibility: Planning Division

Primary objectives for new housing are that low-, moderate-, and middle-income households can afford it, and that it be occupied by people employed in Palo Alto. It would be very difficult for the City to require that private housing be occupied by individuals who work here. However, the City can encourage local employers who participate in the development of new housing to give first priority to those who work nearby. This occupancy pattern could help employers recruit, reduce travel costs for employees, and reduce commute traffic.

Open Choice

All of Palo Alto's efforts to provide a diversity of housing opportunities would be meaningless if that housing were not available in an atmosphere of open and free choice for all.

Policy 12: Work towards the elimination of discrimination based on race, religion, national origin, age, sex, marital status, or physical handicap, and other barriers that prevent choice in housing.

Programs to accomplish this policy are:

Program 29: Seek better state and federal enforcement of fair housing laws.

Program Responsibility: City Attorney's Office

Program 30: Continue to contract with such groups as Mid-peninsula Citizens for Fair Housing to provide fair housing services.

Program Responsibility: Planning Division/Department of Social and Community Services

Program 31: Continue the City-supported Rental Housing Mediation Task Force, a program of the Human Relations Commission, to prevent or remedy conditions which lead to problems between landlords and tenants.

Program Responsibility: Planning Division/Department of Social and Community Services

Program 32: Continue the efforts of the Human Relations Commission to combat discrimination in rental housing.

Program Responsibility: Department of Social and Community Services

Program 33: Work to effectively carry out the intent of the adopted age discrimination ordinance.

Program Responsibility: City Attorney's Office

Energy Provisions

conservation in residential development be analyzed as part of the housing element.

Policy 13: Continue efforts which reduce the cost of housing by promoting energy efficiency and conservation for new and existing housing.

By owning and operating its own utilities system, the City is committed to offering its residents a high quality of utilities services at the lowest

possible cost. The Utilities System attempts to invest in a mix of new energy supply projects, operating efficiencies, and customer-oriented conservation and solar services which together will enable local residents to meet their energy needs at a lower cost than in neighboring communities.

Current residential utilities rates are approximately 50 percent lower than neighboring cities for electricity, 20 percent lower for water, 30 percent for sewer, and equal for gas.

Program 34: Continue staff support and technical assistance in energy conservation to architects and developers.

Program Responsibility: Utilities, Resource Planning Division

Conservation and Solar staff of the City's own utilities system (electricity, gas, water, sewer utilities) have an active role in design review for all new construction, excluding individual single-family homes. Through this design review process, the staff assess the building structure and systems in terms of energy efficiency. Certain measures are required of all projects (solar water heating/heat recovery, solar plumbing and storage provisions in certain buildings, solar pool heating, and window shading on air conditioned buildings) in Palo Alto. Beyond these requirements, staff works on a voluntary basis with architects, developers, and builders to review building plans and suggest additional opportunities to incorporate energy efficiency features in project plans.

Individual single-family home new construction is not required to go through the City's design review process outlined above. However, conservation and solar staff are available to assist property owners, architects and builders to evaluate building plans and make recommendations for improving energy efficiency. These services include: orientation of a building on its lot for maximum passive solar utilization; advice on glazing and thermal mass requirements for passive heating/cooling; and review of furnace size requirements, and optional heating systems.

Program 35: Continue City conservation, solar, weatherization services and loans.

Program Responsibility: Resource Planning Division

The Utilities Conservation and Solar programs offer extensive assistance and services aimed at reducing the costs of utilities. Among the services provided are: on-site energy audits of single-family and multiple-family dwellings; installation services including contractor-installation and a local youth-program service installing low-cost conservation products; and low interest loans by the utility to residents desiring a loan payment plan to avoid a one-time cash outlay for conservation/solar products.

Two programs are specially oriented toward lower-income households:

- o The "Challenge Michael" program places an interactive micro-computer in public locations (e.g., banks, senior centers, retail stores) to reach specifically lower-income seniors and single-parents who might not otherwise know about Palo Alto's conservation services, and/or how much money can be saved with home energy conservation.
- o The R.I.C.H. program (Rebate for Investment in Conservation for the Home) is operated under a pilot federal/state grant to target low income households and seniors in particular. This program allows households at or below 80 percent of median income to pay only 50 percent of the costs for home weatherization improvements.

The City Council has established a community goal of 3,000 solar installations by 1986. A comprehensive program of services and activities has been developed to achieve this:

- o Technical assistance, both on-site and in-office, to assist residents to determine their potential to use solar energy techniques, and to design or select the property for solar energy use.
- o A wide array of solar information materials from educational handbooks and fact sheets to contractor lists, sizing guidelines, and installation specifications.
- o Evening and weekend workshops for residents to learn about solar, tour existing solar applications, and meet with solar contractors.
- o City-assisted group meetings where residents collectively choose systems and negotiate discount prices with participating solar contractors, resulting in 10-20 percent reductions in the price of solar systems.
- o Low interest loans (currently 10 percent interest, with a variety of maximum loan amounts and repayment periods) to assist residents who want to purchase a solar system, but either lack the cash or cannot take advantage of conventional financing terms. The utilities loan attempts to achieve a "break-even" cash flow between utility bill savings and solar loan payments, which average \$20-\$24 per month.
- o Electricity utility bill discount of 10 percent to residents with qualifying solar systems.

The Desired Result

The policies and programs set out in the preceeding pages are the framework of Palo Alto's housing program. Together these policies and programs will help Palo Alto to continue to provide a high-quality residential environment for the diversity of people who make up the Palo Alto community.

Housing Action Plan

The 1980-1990 housing need projection for Palo Alto is 2,441 units, and 1,221 for the 1985-1990 five-year implementation period. At this time there are sufficient sites to accommodate these units, but not necessarily at prices and rents that meet affordability target income figures. (Nineteen percent very low, 15% low, 20% moderate income households). Projecting accurately the number and type of housing is complicated because of the uncertainty of market forces and the availability of state and federal resources. Over 2,650 new units are projected for the 1980-1990 period, including approximately 2,000 units projected for 1985-1990. This forecast assumes a Stanford West/1100 Welch Road development of 1290 units. From 1980 through 1983 there were 628 new housing units added to the housing stock, including 563 multiple family units and 65 single family units. Accounting for demolitions, in this period there was a net addition of 545 units to the housing stock.

Three tables are presented below, including a current land inventory, a housing unit forecast for the 1984-2000 period, and a table providing the City goals for housing assistance to low and moderate income households over the 1985 to 1990 period.

RESIDENTIAL DEVELOPMENT LAND INVENTORY (JANUARY 1, 1984)

An inventory of land suitable for residential development, including vacant sites and sites having a potential for redevelopment is a requirement under the new housing element law. This should include sites not presently planned and zoned for residential use, but otherwise suitable for residential development.

This table surveys major parcels of vacant residentially zoned land and other potential sites for residential development. Dwelling unit capacity is also provided. Residentially zoned parcels have an assumed housing yield equal to the maximum allowed by the zone, except for the Stanford West and 1100 Welch Road sites, which are calculated at less than the maximum allowed by the zoning.

The City currently has sufficient overall capacity in the utility system (water, sewer, gas, and electricity) to accommodate new development. Individual sites may require upgrading of utility lines serving a specific site. Transportation and street improvements may be required as part of project approval for some of the sites.

ZONING/SITE	ACRES	POTENTIAL DWELLING (ACTUAL SUB- DIVISION PROPOSAL OR MAXIMUM TYPE ALLOWED BY ZONING)
Multiple Family Zoning		
Stanford West 1100 Welch Road San Antonio and Nita Clemo Avenue 725 Loma Verde Other Multiple Family	45.20 4.20 3.00 1.80 1.30 4.50	1,140 150 106 21 27 126
Single Family and Duplex	30.00	60
TOTAL RESIDENTIAL	90.00	1,630
Industrial Areas		
Page Mill Between Hansen and Hanover 1050 Arastradero	8.2 5.9	164 59
TOTAL INDUSTRIAL	14.1	223

	ACRES	COMMITTED	ESTIMATE
Surplus School Properties			
De Anza (Rezoned for Housing)	5.2	19	
Hoover (3.47 Acres Rezoned for Housing)	6,2		99
Ortega (Rezoned for Housing)	5.7	25	
Ohlone	5.6		55
Cubberley	35.4		147
Greendel1	5.0		25
Terman (4.35 Rezoned for Housing)	20.9	92	
Garland	5.0		25
Crescent Park (Rezoned for Housing)	4.9	25	
Ross Road	4.9	21	
Mayfield	4.2		84
TOTAL	103	182	435

Additional housing units can be expected through redevelopment of existing residential and commercial areas. Current zoning would permit a maximum of 738 additional units through redevelopment of existing residential areas. This development can be expected to take place over many years. Redevelopment of commercial areas, such as the Urban Lane and Maximart sites, could yield over 650 units.

PALO ALTO NEW HOUSING UNIT FORECAST 1984-2000 (JANUARY 1, 1984)

	1984 - SINGLE FAMILY	1990 MULTI. FAMILY	1990 - SINGLE FAMILY	MULTI. FAMILY
Vacant Residential	20	1,400	40	180
Vacant Industrial	-	80	-	140
Commercial and Industrial Redevelopment	-	250	-	4 20
Residential Redevelopment	-	160	-	160
Surplus School Sites	<u>50</u>	170	90	300
TOTAL	70	2,060	130	1,200

1985 - 1990 IMPLEMENTATION GOALS

Increased housing opportunities for low- and moderate-income households is a major goal of the Housing Element. Implementation goals for programs which attemp to increase and improve the housing suply for this population are outlined below:

	INCOME					
	VERY LOW RENT OWN		LOW INCOME RENT OWN		MODERATE INCOME RENT OWN	
New Construction						
Program 3 - Cottage Units	-	-	10	-	15	-
Program 11 - Below Market Rate Units	-	-	-	-	20	155
Program 12 - Limited Eq. Coop	-	20	-	20	-	20
Program 13 - Bonus Units	-	-	-	5	-	5
Program 18 - Complete Terman Development	-	-	72	-	-	-
Program 18 - New Development	-	25		25		25
TOTAL	-	45	82	50	35	205
Existing						
Program 6 - Housing Improve- ment Loans Program	-	15	-	135	-	-
Program 7 - Shared Housing Matches	100	100	40	40	15	15
Program 19 - Section 8 Existing or Voucher Recipients	10	-	20	-	-	-
Program 20 - Rental Housing Acquisition Program	10		20			_
TOTAL	120	115	80	175	15	15



